

Message Text

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PAGE 01 MANILA 10860 071119Z

15

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-04 SS-15 SP-02

NSC-05 L-03 OMB-01 TRSE-00 FRB-03 TAR-01 AGR-05

AID-05 IO-10 LAB-04 OIC-02 SIL-01 STR-04 CIEP-01

CEA-01 H-02 /092 W

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R 070650Z AUG 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6243

INFO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EWWT, RP

SUBJECT: SHIPPING: PHILIPPINE DISCRIMINATION--THE STATUS OF PD 667

REF: (A) MANILA 8940; (B) STATE 162291

1. IN LINE WITH REFTELS AMBASSADOR RAISED DISPOSITION OF PD 667 WITH PRESIDENT IN RECENT TALKS, AND ECON/COMMERCIAL COUNSELOR FOLLOWED WITH DETAILED REVIEW WITH TRADE SEC QUIAZON AUGUST 6. IT WAS SUGGESTED IN BOTH INSTANCES THAT PD 667 BE DROPPED IN FAVOR OF PHILIPPINE RELIANCE ON STANDING INSTRUCTIONS TO THE FOREIGN SERVICES TO PROMOTE PHILIPPINE FLAG SHIPMENT OF OFFICIAL CARGO. PRESIDENT SUGGESTED HE ISSUE A LETTER TO THE EFFECT THAT PD 667 WOULD NOT BE IMPLEMENTED. QUIAZON REPORTED THAT HIS DEPT HAD BEEN ASKED TO COMMENT ON VARIOUS DIPLOMATIC DEMARCHES INCLUDING THOSE OF U.S. AND THAT HE WOULD DISCUSS MATTER WITH PRASIDENT AS WELL AS TAKE U.S. VIEWS INTO ACCOUNT IN STATING HIS DEPARTMENT'S POSITION TO THE NEDA STUDY GROUP WORKING ON PD 667. QUIAZON FELT THAT A KEY FACTOR BEARING ON WHETHER

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PAGE 02 MANILA 10860 071119Z

PD 667 WOULD BE WITHDRAWN OR PRESIDENTIAL LETTER WOULD BE

PROVIDED WAU FACT THAT LETTER WOULD HAVE TO BECOME PUBLIC
IN ORDER STAVE OFF POSSIBLE U.S. COUNTER MOVE.

2. IN HIS TALK WITH PRESIDENT, AMBASSADOR REVIEWED
PROBLEM OF PD 667 INCLUDING PENDING U.S. MARITIME ADMINISTRATION
DECISION ON POSSIBLE APPLICATION SECTION 19. PRESIDENT
MARCOS ASKED WHETHER A LETTER INSTRUCTING HIS STAFF NOT,
REPEAT NOT TO IMPLEMENT THE DECREE WOULD HELP, AND WHEN
AMBASSADOR SAID IT WOULD BE USEFUL, MARCOS SAID HE WOULD
ASK SECRETARY QUIAZON TO DRAFT SUCH A LETTER.

3. IN CALL ON QUIAZON AUGUST 6 ECON/COMMERCIAL COUNSELOR
RECITED FACT THAT, ALTHOUGH DFA HAD INDICATED PHILIPPINE
GOVT INTENT NOT REPEAT NOT TO IMPLEMENT PD 667, PHILIPPINE
IMPORTERS WERE BEHAVING AS IF DECREE WERE ALREADY IN EFFECT.
U.S. SHIPPERS WERE COMPLAINING OF AN INCREASING DIVERSION
OF CARGO BOUND FOR THE PHILIPPINES TO PHILIPPINE BOTTOMS,
AND U.S. SHIPPERS WERE ATTRIBUTING THIS DEVELOPMENT TO
ANTICIPATED TAX REBATES UNDER PD 667. QUIAZON STATED THAT
IT IS THE POSITION OF HIS GOVT THAT PD 667 IS NOT REPEAT
NOT DISCRIMINATORY BECAUSE IT TREATS ALL FOREIGN SHIPPERS
ALIKE. ECON/COMMERCIAL COUNSELOR SAID HE HAD HEARD THIS
COMMENT FROM MEMBERS OF THE PHILIPPINE STUDY GROUP ON PD
667, BUT THAT U.S. CONCERN WAS FACT THAT THE DECREE
DISCRIMINATES BETWEEN U.S. AND PHILIPPINE FLAG VESSELS,
WHATEVER MAY HAPPEN RESPECTING VESSELS OF THIRD COUNTRIES.
THIS VIEW WAS GIST OF JAPANESE, GERMAN AND OTHER EUROPEAN
SHIPPER CONCERNS.

4. QUIAZON INQUIRED WHAT WOULD BE THE LIKELY U.S. REACTION
TO IMPLEMENTATION OF THE UNCTAD 40-40-20 FORMULA WHICH HE
SAID PHILIPPINES HAD SUBSCRIBED TO AND, IT WAS HIS RECOL-
LECTION, THAT U.S. HAD ALSO RATIFIED. ECON/COMMERCIAL
COUNSELOR SAID HE DID NOT RECALL THAT U.S. HAD SUBSCRIBED
TO THIS SCHEME. TO THE CONTRARY, WHILE WE COULD NOT
REASONABLY TAKE EXCEPTION TO PHILIPPINE EXERCISE OF SOME
ORDER OF PREFERENCE RESPECTING OFFICIAL CARGO, WE WOULD
PREFER TO SEE ACCESS TO COMMERCIAL CARGO LEFT UNRESTRICTED.
IT WAS PREFERABLE TO AVOID INTERFERENCE SUCH AS THE UNCTAD
SCHEME INVOLVED. IT WAS HOPED THAT, IN THIS VEIN, PD 667
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PAGE 03 MANILA 10860 071119Z

MIGHT BE DROPPED IN FAVOR OF RELIANCE ON THE FOREIGN AFFAIRS
CIRCULAR WHICH, WHILE SOMETIMES TROUBLESOME ON INDIVIDUAL
SHIPMENTS, WAS NOT GENERALLY EXCEPTIONABLE RESPECTING
OFFICIAL CARGOES. SECTION 19 PROVISIONS WERE THEN
REVIEWED WITH QUIAZON, ENDING ON THE NOTE THAT IF GOP
UNABLE TO LIFT PD 667 IT SEEMED LIKELY THAT CHARGES
EQUIVALENT TO THE IMPACT OF THE DECREE WOULD HAVE TO BE
LEVIED ON CARGOES CARRIED ON PHILIPPINE VESSELS IN TRADE

WITH THE UNITED STATES. QUIAZON TOOK DETAILED NOTES ON CONVERSATION AND SAID THAT HE WOULD REFLECT U.S. POSITIONS IN HIS DEPARTMENT'S STATEMENT TO THE NEDA STYDY GROUP.

5. QUIAZON HAD NOT YET HEARD ABOUT THE AMBASSADOR'S TALK WITH THE PRESIDENT, BUT SAID HE WOULD TAKE THE MATTER UP WITH HIM. ON LEARNING THAT THE PROPOSED PRESIDENTIAL LETTER WOULD HAVE TO BECOME PUBLIC IN ORDER TO PROVIDE A BASIS FOR TURNING OFF SECTION 19 ACTION, QUIAZON SAID THIS WAS A PARTICULAR ISSUE FOR DISCUSSION WITH THE PRESIDENT, BUT DID NOT SAY WHETHER HE WOULD RECOMMEND ISSUE OF THE LETTER OR WITHDRAWAL OF THE DECREE.

6. COMMENT. PENDING QUIAZON REVIEW WITH PRESIDENT AND COMPLETION OF THE GOP STUDY, IT WOULD APPEAR THAT WE HAVE PUSHED OUR DEMARCHE ON PD 667 AS FAR AS POSSIBLE FOR THE TIME BEING. THERE IS STATED SYMPATHY AT MELCHOR LEVEL FOR WITHDRAWING THE DECREE, BUT VIEWS IN GOP ARE MIXED, AND ONE SCHOOL IN DFA IS DUG IN ON GOING AHEAD WITH IMPLEMENTATION OF THE DECREE. THE PRESIDENTIAL LETTER WOULD NOT SIT WELL WITH THIS GROUP, AND THE PRESIDENT HIMSELF MAY HAVE SECOND THOUGHTS ABOUT THE NEED FOR THIS BACKHANDED APPROACH WHEN HE RECOGNIZES THAT THE PUBLIC EFFECT OF SUCH A LETTER IS WITHDRAWAL OF THE DECREE. IT IS TOO EARLY TO SAY HOW THIS WILL TURN OUT. WE PROPOSE, THEREFORE, TO LET MATTER SIMMER FOR A TIME, MERELY INQUIRING WHAT PROGRESS IS BEING MADE AS OPPORTUNITIES ARISE.

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